
TOO GOOD TO BE TRUE....

A Column on Consumer Issues
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Refund Anticipation Loans

Millions of Americans look forward to tax season. They know they are getting refunds and they desperately need that check to help meet their monthly expenses. Oftentimes, they don't even want to wait for the refund before spending the money. They want fast money! That is the idea behind the "refund anticipation loans" that are getting more and more popular each year.

Refund anticipations loans allow the consumer to spend today what they figure the Government owes them in income tax refunds. The pitch for these loans is "you don't have to wait for the IRS to process your tax return and send you a check." What they do not emphasize is that it is a 'loan' so you pay interest for the convenience of using someone else's money until yours arrives. More importantly, the fee you pay to get the loan, typically \$39 to \$106, figures out to be as much as 700% interest per year! These fees are frequently in addition to the tax preparation charges and fees for filing the return electronically charged by many tax preparers.

Here are some important facts to remember before agreeing to a refund anticipation loan:

- You pay nothing to wait for the IRS to mail your refund, which averages 21 to 45 days.
- If you file your tax return electronically, it takes no more than 21 days.
- If you file your tax return electronically and have your refund direct-deposited into your bank account, you can reduce the wait by another week.

It is possible to have your refund in only eight days of filing your return!

Tax refunds are simply wages withheld from your paychecks that exceed what you actually owed in income taxes. You may wish to adjust your withholding so that you do not have as much withheld from your paycheck. Consider what you could do with extra money each month! To help you determine how much of your paycheck you should set aside each month for taxes, go to the IRS website at www.irs.ustreas.gov and use the W-4 "electronic calculator and a copy of Publication 213 "Checking Your Withholding."

The Attorney General's Consumer Protection Division investigates allegations of fraud in the marketplace. Investigators also mediate individual complaints against businesses. If you have a consumer problem or question, call the Consumer Protection Division at 328-3404, toll-free at 1-800-472-2600, or 1-800-366-6888 (w/TTY). This article and other consumer information is located on our website at www.ag.state.nd.us.